

OFFICE EVALUATION CONFERENCE - 30 NOV 79

(CHART 1) I WILL COVER THE FOLLOWING FOUR AREAS IN REVIEWING THE PROCUREMENT DIVISION'S PERFORMANCE DURING FY 1979 - PRODUCTIVITY, ACHIEVEMENTS, PROBLEMS, AND PROSPECTS.

(CHART 2) LAST YEAR'S PRODUCTIVITY WILL BE COMPARED WITH FY 77 AND FY 78. FIRST, LOOKING AT WORKLOAD, THE NUMBER OF REQUISITIONS DECREASED BY [REDACTED] HOWEVER, LINE ITEMS PROCESSED INCREASED BY [REDACTED] THE TOTAL NUMBER OF CONTRACTS AND PURCHASE ORDERS ISSUED INCREASED BY [REDACTED] STAT 25X1

25X1

25X1

[REDACTED] OVERALL, FUNDED AND UNFUNDED ACTIONS INCREASED

(CHART 3) TWO MEASURES OF EFFICIENCY ARE ILLUSTRATED ON THE CHART - THE RATIO OF DIRECT PERSONNEL COSTS TO NEGOTIATED SAVINGS AND THE RATIO OF PERSONNEL TO LINE ITEMS PROCESSED. BOTH ARE POSITIVE AND INDICATE THAT THE DIVISION IS OPERATING EFFICIENTLY. I HAVE EXCLUDED THE NEGOTIATED COST SAVING ATTRIBUTABLE TO THE SAFE CONTRACT BECAUSE OF ITS SIZE AND THE NATURE OF THE CONTRACT.

(CHART 4) THE FLOW OF WORK IN THE DIVISION WAS ALMOST IDENTICAL TO FY 78'S, WITH THE EXCEPTION OF SEPTEMBER WHICH EVIDENCED A DRAMATIC INCREASE BOTH IN ACTIONS PROCESSED [REDACTED] AND 25X1 DOLLARS OBLIGATED [REDACTED] OVER THE PRIOR YEARS. 25X1 IN SEPTEMBER, THE DIVISION PROCESSED [REDACTED] CONTRACT ACTIONS 25X1 WHICH WAS [REDACTED] ABOVE THE STRAIGHT-LINE AVERAGE OF

25X1

25X1

[REDACTED] LOOKING AT THE DOLLAR SIDE, WE CONTINUE

TO OBLIGATE A DISPROPORTIONATE AMOUNT IN THE FOURTH QUARTER, PARTICULARLY IN SEPTEMBER. HOWEVER, I AM LESS CONCERNED ABOUT THE TIMING OF DOLLAR OBLIGATIONS THAN OF HAVING ADEQUATE LEAD TIME TO PROPERLY PLAN AND EXECUTE A PROCUREMENT.

(CHART 5) THE SOURCES OF REQUIREMENTS SERVICED BY PD REMAINED STABLE WITH DDA BEING OUR LARGEST CUSTOMER. DDA'S SHARE

[REDACTED]

25X1

[REDACTED] ONE OF OUR OBJECTIVES IS TO ACHIEVE A CLOSER RELATIONSHIP WITH THE LARGER REQUIRING OFFICES, PARTICULARLY IN THE PLANNING PHASES OF THE PROCUREMENT CYCLE.

(CHART 6) I WOULD LIKE TO CITE SOME OF THE DIVISION'S ACHIEVEMENTS DURING THE PAST YEAR.

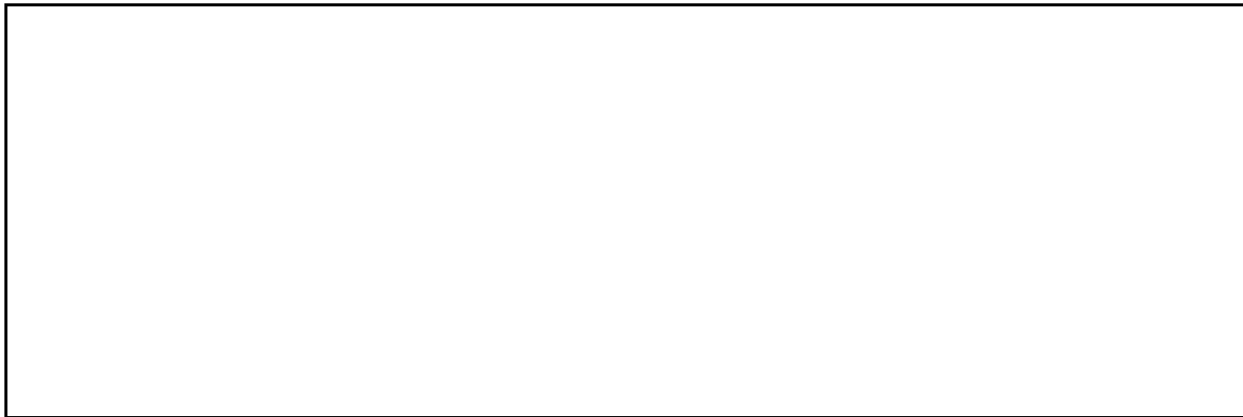
- 1) THE DIVISION HAS BEEN WORKING CLOSELY WITH OL'S SYSTEMS ANALYSIS BRANCH TO DETERMINE THE REQUIREMENTS FOR A MANAGEMENT INFORMATION SYSTEM. IN-DEPTH ANALYSES OF DIVISION WORK FLOWS AND ACTIVITIES HAVE BEEN MADE. WE BELIEVE WE HAVE A SOUND AND OBJECTIVE UNDERSTANDING OF THE WORK PROCESS AND WHAT OUR REQUIREMENTS ARE TO FURTHER INCREASE EFFICIENCY AND RESPONSIVENESS. OUR TARGET FOR COMPLETING THE FEASIBILITY STUDY AND SYSTEMS REQUIREMENT DEFINITION PHASES IS 30 APRIL 1980.
- 2) DEFECTIVE PRICE NEGOTIATION - THE DIVISION SUCCESSFULLY NEGOTIATED A SETTLEMENT OF A DEFECTIVE PRICE AUDIT ON FIRM FIXED PRICE CONTRACTS [REDACTED]

25X1

25X1

[REDACTED] WE BELIEVE THIS
IS THE FIRST SUCH NEGOTIATION ON AGENCY-FUNDED CONTRACTS.

25X1



(CHART 7)

- 4) I WOULD LIKE TO MAKE SOME OBSERVATIONS CONCERNING SOME SIGNIFICANT FY 79 CONTRACT ACTIONS. IN THIS CHART, TOTAL SYSTEMS LIFE SAVINGS IS EQUAL TO THE AMOUNT SAVED AT NEGOTIATION PLUS THE OUT-YEAR SAVINGS BASED ON THE SYSTEM'S PROJECTED USEFUL LIFE AND THE ACQUISITION STRATEGY EMPLOYED.

ITEM 1 IS OF INTEREST BECAUSE IT SHOULD NEVER HAVE HAPPENED. THE ACQUISITION INVOLVED COMPETITION

25X1

[REDACTED] THE LATTER WAS THE APPARENT WINNER, BUT BECAUSE IT TOOK EXCEPTION TO PROVISIONS OF THE GOVERNMENT'S SOLICITATION, IT WAS DISQUALIFIED. CONSEQUENTLY, THE GOVERNMENT ACQUIRED A LESS EXPENSIVE CPU THAT, SO FAR, HAS BEEN PERFORMING SATISFACTORILY. ITEM 2 - THIS ACQUISITION ENTAILED REPLACING IBM-OWNED TAPE DRIVES WITH A THIRD PARTY'S IBM TAPE DRIVES AT A SIGNIFICANT SAVINGS. IBM REMAINS RESPONSIBLE FOR MAINTENANCE OF THE EQUIPMENT.

ITEM 3 - THE SAFE CONTRACT IS THE LARGEST AGENCY-FUNDED SYSTEMS ACQUISITION TO DATE. A FULL-TIME CONTRACTING OFFICER HAS BEEN ASSIGNED TO THE PROJECT OFFICE.

ITEM 4 - THE APARS SYSTEM PRESENTED PD WITH SIGNIFICANT PROBLEMS IN TWO AREAS - SPECIAL TERMINATION CHARGES AND POSSIBLE FUNDING DEFICIENCIES. BOTH ISSUES WERE SUCCESSFULLY RESOLVED. IT IS MY BELIEF THAT THIS TYPE OF PROCUREMENT SHOULD BE DISFAVORED BECAUSE IT SEVERELY CONSTRAINS COMPETITION AND RESTRICTS THE GOVERNMENT'S FREEDOM TO REPROGRAM ACTIVITIES.

ITEM 5 - HSTS'S SAVINGS WERE ACHIEVED BY REDUCING THE LEASE-TO-PURCHASE PERIOD FROM 10 TO 7 YEARS.

ITEM 6 - THE SQUARE RADOME PROVES THE VALUE OF COMPETITION. WE HAD PREVIOUSLY PROCURED 8 UNITS AT \$20,750 EACH. THIS COMPETITION REDUCED THE UNIT PRICE TO \$13,350 OR 36%.

ITEM 7 - THE SECURE POUCH SYSTEM ALSO DEMONSTRATES THE VALUE OF COMPETITION. THE CONTRACTING OFFICER INSISTED ON COMPETING A FOLLOW-ON REQUIREMENT. AS A CONSEQUENCE, A NEW CONTRACTOR, [REDACTED] PROPOSED A PRICE, 25X1
FOR AN IDENTICAL QUANTITY, OF [REDACTED] COMPARED TO THE 25X1
ORIGINAL SOLE SOURCE CONTRACTOR'S PROPOSAL OF [REDACTED]. 25X1

ITEM 8 - THE ACQUISITION OF TRACTOR TRAILERS WAS IN RESPONSE TO AN URGENT OPERATIONAL REQUIREMENT, APPROVED BY THE NSC, [REDACTED] 25X1

25X1

[REDACTED] THE NORMAL ACQUISITION TIMEFRAME FOR TRACTOR TRAILERS IS 6 TO 9 MONTHS. THE DIVISION UNDERTOOK A CLASSIFIED COMPETITION AND WAS ABLE TO SATISFY THE REQUIREMENT IN 4 MONTHS. THIS ENTAILED SECURING THE ASSISTANCE OF THE DEPARTMENT OF COMMERCE FOR EXPEDITED DELIVERY OF SPECIAL STEEL STRUCTURES.

(CHART 8) EARLIER, I STATED THAT THE DIVISION PROCESSED AN ABNORMALLY LARGE NUMBER OF CONTRACT ACTIONS DURING THE LAST MONTH OF THE FY. THIS CHART ATTEMPTS TO LOOK AT THE INPUT SIDE OF THE PROBLEM. ITS MESSAGE IS STRAIGHTFORWARD. IF WE ARE FORCED TO ACCEPT NEW PROCUREMENT REQUIREMENTS THROUGH THE END OF THE FY, WE CANNOT UNDERTAKE NECESSARY PROCUREMENT PLANNING FOR [REDACTED] SERVICE CONTRACTS THAT ARE EFFECTIVE ON 1 OCTOBER OF EACH FY. FURTHER, THE QUALITY OF EFFORT NECESSARILY SUFFERS WHEN THERE IS INADEQUATE TIME TO DO THE JOB. THE SOLUTION, I BELIEVE, IS TO UNDERTAKE CONTINGENCY PLANNING EARLY IN THE FY, WITH EACH MAJOR REQUIRING OFFICE AND THE COMPTROLLER, WITH THE OBJECTIVE OF IDENTIFYING PRIORITY REQUIREMENTS AND FUNDING SUCH REQUIREMENTS IN JULY OR EARLY AUGUST. ALL OTHER REQUIREMENTS, EXCEPT FOR THOSE SUPPORTING OPERATIONS, SHOULD FLOW FORWARD TO THE NEXT FY. THIS APPROACH WOULD PERMIT THE DIVISION TO FOCUS ITS ENERGIES ON PLANNING AND EXECUTING RECOGNIZED PRIORITY REQUIREMENTS.

25X1

FINALLY, I WOULD LIKE TO ADDRESS PROSPECTS FOR THE COMING YEAR. IT IS OUR INTENTION TO ACTIVELY SOLICIT THE COOPERATION OF OUR MAJOR REQUIRING OFFICES IN DEVELOPING MAJOR CONTINGENCY ACQUISITIONS FOR PLACEMENT IN THE FOURTH QUARTER IN LIEU OF THE HISTORIC VOLUME OF LOW-DOLLAR REQUISITIONS RECEIVED.

AS PREVIOUSLY STATED, THE DIVISION WILL BE DEEPLY INVOLVED IN COMPLETING STUDIES AND ANALYSES THAT WE BELIEVE WILL CONCLUDE IN THE DEVELOPMENT OF AN MIS. THIS SYSTEM WILL GIVE US THE NECESSARY MANAGEMENT BASE TO INCREASE EFFICIENCY AND RESPONSIVENESS TO CUSTOMER REQUIREMENTS.

FINALLY, WE ARE IN THE PROCESS OF DEVELOPING PROCEDURE MANUALS THAT WILL ASSURE A GREATER CONSISTENCY IN THE EXECUTION AND MANAGEMENT OF PROCUREMENTS AND WILL MATERIALLY ASSIST US IN TRAINING NEW PROCUREMENT PERSONNEL.